PERFORMANCE AUDIT

DEPARTMENT OF ECONOMIC SECURITY

CHILD SUPPORT ENFORCEMENT

Report to the Arizona Legislature
By the Auditor General
December 1992
92-7

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STATE OF ARIZONA
OFFICE OF THE
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December 15, 1992

Members of the Arizona Legislature

The Honorable Fife Symington, Governor

Mr. Charles E. Cowan, Director
Department of Economic Security

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Arizona Department of Economic Security (DES), Division of Child Support Enforcement, pursuant to a December 13, 1991 resolution of the Joint Legislative Oversight Committee and was conducted as part of the Sunset Review set forth in Arizona Revised Statutes (A.R.S.) §§41-2951 through 41-2957.

We found the Child Support Enforcement program is barely functioning, only 3 percent of the more than 275,000 cases handled through the program are receiving regular support payments. Not only does DES need more staff and more authority over the program, it needs statutory tools to fundamentally change some aspects of the way it operates. Specifically, DES needs statutory authority to privatize some of its functions, and needs authority to process cases administratively rather than through the courts. Unless significant changes are made, literally hundreds of millions of dollars will continue to go uncollected and hundreds of thousands of Arizona parents and children will suffer the consequences.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on December 16.

Sincerely,

Douglas R. Norton

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Auditor General

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SUMMARY

The Office of the Auditor General has conducted a performance audit of the Arizona Department of Economic Security (DES), Division of Child Support Enforcement (DCSE), pursuant to a December 13, 1991 resolution of the Joint Legislative Oversight Committee. This performance audit is the first in a series of audits of DES conducted as part of the Sunset Review set forth in Arizona Revised Statutes (A.R.S.) §§41-2951 through 41-2957.

In 1975, Congress enacted Title IV-D of the Social Security Act, emphasizing the importance of child support enforcement on a national basis. The program, administered by the U.S. Department of Health and Human Services, was initially designed to offset Aid to Families with Dependent Children (AFDC) costs by recovering from parents part or all of the public assistance paid to recipients. All AFDC recipients are automatically referred for child support enforcement services. In addition, individuals not receiving public assistance may also apply for child support enforcement services through the IV-D program.

Arizona's IV-D Program Has Failed To Collect Hundreds of Millions of Dollars In Child Support Payments
(See pages 9 through 20)

Overwhelmed by its workload and understaffed, DCSE has been unable to adequately service most of its cases. To collect child support, DES must locate absent parents, determine paternity, establish support orders, and take legal steps necessary to enforce compliance. DCSE is far behind in moving most of its cases through this process. In fact, only 25 percent of its cases have child support orders established, and only 3 percent of all cases are receiving regular child support payments. The failure of parents to make ordered child support payments, and DCSE's inability to enforce these orders, has been costly to the State and to families dependent upon child support. For just those cases converted to the new automated system as of June 1992, over $300 million in support was past due.

Our analysis of cases actually worked by a sample of 99 workers indicated that DCSE is servicing only a small portion of its caseload. During May 1992, only 8,283 of the 123,130 cases included in our work measurement study received some action considered necessary to move the case closer to resolution. The outcomes resulting from these actions were minimal - in only 56 cases was paternity established; in only 30 cases did the non-custodial parent agree to rely on the result of a blood test to determine paternity; and, only 52 support orders were established for the 123,130 cases studied.

Even if DCSE improves operational efficiency as we recommend (see Finding III, page 31), it still will not have enough staff to process its workload. The number of child support cases DCSE must work has increased dramatically, from about 89,000 cases in 1986 to approximately 275,000 cases in 1992. In addition, DCSE reported an average of 4,300 new cases entered the system each month in 1992. This workload is distributed among DCSE legal assistants at about 3,000 cases per worker. Caseloads in several of the states we surveyed were far lower. In fact, one state considered its ratio of 1,000 cases per worker unreasonably high.

Statutory Changes Are Needed For DES To Have Adequate Authority Over The Child Support Enforcement Program
(See pages 21 through 30)

DES needs a significantly strengthened statutory role to effectively administer the State's child support enforcement program. Currently, the program is fragmented among DES, the Attorney General's Office, county attorneys and clerks of the Superior Court. DES does not have effective control over the program.

Lacking leverage over the other agencies involved, DES has experienced considerable difficulty administering the program. For example, some counties have resisted DES's efforts to compile statewide statistical information. In other instances, turf battles have erupted between the State and the counties because as one county official noted, the different agencies are "competing" and have "different priorities." Further, DCSE has no direct authority over the Attorney General

representatives who provide legal services. While DCSE is ultimately responsible for the cases it handles, it appears to have little say as to how its legal staff are assigned and utilized in working cases.

While DCSE should not necessarily provide all child support enforcement services statewide, it needs statutory authority to effectively administer and control the program. The determination as to who provides IV-D services in the state should reside with DCSE. As discussed below, the agency should also have authority to contract for services, including legal counsel.

DCSE Can Improve Productivity And Efficiency By Implementing New Methods And Approaches
(See pages 31 through 40)

DCSE can improve its operational efficiency by adopting new approaches or operational methods that have been effective elsewhere. However, two of the most promising approaches will require statutory authority to implement. First, several states are realizing significant gains by contracting specific functions, such as paternity establishment or collections, to private vendors. A private collections firm in Georgia remits $1 million in support payments each month to the state for cases that are considered difficult collections cases. Tennessee has gone even further, contracting out the entire program in some judicial districts to a private firm. Collections increased 40 percent in one district in less than one year of operation. Second, increased use of administrative processes, rather than relying on the courts to process cases, has been very effective in a number of states and is recommended by a national study of child support enforcement.

Using existing authority, DCSE could also enhance productivity by implementing several operational changes. For example, DCSE is beginning to restructure its work units into more focused and specialized areas, and should continue this effort. In addition, consolidation of processing steps, better prioritization of cases worked, establishment of performance goals and an incentive program for caseworkers, more aggressive public relations efforts, and use of improved telecommunications technology could increase productivity and efficiency.

DCSE Could Recover More Of Its Administrative Costs

(See pages 41 through 45)

Arizona, like most other states, can do more to recover its costs of providing IV-D services to individuals who are not receiving public assistance. A recent study by the U.S. General Accounting Office (GAO) found that non-AFDC clients could afford to pay more for the services they receive.

DCSE currently charges for only a few services, and recovers less than two percent of its costs of handling non-AFDC cases. While most states recover a similar amount, GAO identified four states that recover anywhere from 10 to 48 percent of costs. Arizona does not charge an application fee, nor does it charge for most enforcement actions, support order modifications, or paternity establishment.

The subject of cost recovery is receiving increased attention at the national level. Both GAO and the Department of Health and Human Services have proposals before congress to increase cost recovery.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Arizona Department of Economic Security (DES), Division of Child Support Enforcement, pursuant to a December 13, 1991, resolution of the Joint Legislative Oversight Committee. This performance audit is the first in a series of audits of DES conducted as part of the Sunset Review set forth in Arizona Revised Statutes (A.R.S.) §§41-2951 through 41-2957.

Purpose Of Child Support Enforcement Program

In 1975, Congress enacted Title IV-D of the Social Security Act, emphasizing the importance of child support enforcement on a national basis. The program is administered by the U.S. Department of Health and Human Services, Office of Child Support Enforcement (OCSE). Considered an important national program, it was initially designed to offset the costs associated with the Aid to Families with Dependent Children (AFDC) program by recovering from responsible parents, part or all of the amount paid in AFDC, enabling AFDC recipients to leave the program. Therefore, all AFDC recipients are automatically referred for child support enforcement services. In addition, individuals that do not receive public assistance but wish to have the State pursue their case, can apply to receive IV-D services at virtually no cost.[1]

The importance of the program becomes even greater when one considers its revenue earning potential. An efficient child support enforcement program can not only recover expenditures for the State's AFDC program, it can produce millions of dollars in unrestricted funds for state use. In addition to retaining a portion of the AFDC collections received, states can also earn incentive revenues from the Federal government based on a formula which rewards cost-effective programs as well as emphasizes the aggressive pursuit of AFDC cases.

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(1) There are also child support cases handled privately outside of the IV-D program. In fact, there are at least as many of these private cases in Arizona as there are IV-D cases.

Unfortunately, child support collections in Arizona have not been sufficient to receive much in Federal incentive revenues which are based on cost-effectiveness ratios. Ratios compare dollars collected in child support payments to dollars expended in handling child support cases. Arizona's cost-effectiveness ratio for the last two fiscal years has been minimal; achieving an annual average cost effectiveness ratio of two or less (i.e. $2 are collected for every State or Federal dollar DCSE spends to collect child support). Nationally, the average cost-effectiveness ratio was 3.75:1 for fiscal year 1989-90. Moreover, in fiscal year 1989-1990, Arizona was one of only ten states whose share of child support collections and Federal incentives was insufficient to cover its share of administrative expenditures.

Additionally, Arizona's program has not fared well in past Federal audits. It has undergone four Federal audits in the last five years. These audits revealed that the program was deficient in a number of important areas. In fact, in a 1989 audit, because one deficiency previously identified had not been corrected, Arizona was fined $775,322. Pursuant to Federal regulations, Federal funding for the State's Aid to Families with Dependent Children program was reduced by that amount.

History Of Child Support Enforcement In Arizona

In the last ten years, Arizona's child support enforcement program has undergone significant change. Prior to the enactment of Title IV-D, child support enforcement services were provided by the counties, through the county attorneys. Since Federal regulations allowed the State IV-D agency (DES) to pass down Federal matching funds to contracting entities, most of the county attorneys entered into cooperative agreements (i.e. contracts) with the State. Through the contracts, the county attorneys handled most of the functions of the program within their county.

However, over the years, the working relationship between the State and counties deteriorated, and ultimately resulted in many of the county attorneys leaving the program. There are a number of factors that have contributed to the instability of the program:

- Increased reporting requirements - In 1984, when Congress significantly expanded Title IV-D, it required that as a condition of receiving Federal funding, states had to demonstrate the accountability of their programs. As a result, DES started pressuring the counties to adequately report. Most of the county attorneys had few staff devoted to their programs, and complying with what they felt were "onerous" reporting requirements became too much of a burden for them.

- Increased monitoring - To ensure accountability of the county programs, the State also began to ensure that cases were handled according to Federal regulations and that expenditures charged were appropriate. Through its monitoring reviews, the State disallowed some claims by the county attorneys for reimbursement of IV-D expenditures. This angered some county attorneys. In addition, when Arizona failed its first Federal audit, and the counties were reported out of compliance, some of the county attorney staff felt that the State had misled them and had not explained the rules up front. As a result, some of the county attorneys became disillusioned and dissatisfied with how the State was administering the program and no longer wanted to be a part of it.

- Poor relations between State and counties - While the State was attempting to ensure that the program was meeting Federal regulations, the manner in which some State officials presented themselves to county officials resulted in a poor relationship between the State and counties. Some county attorneys felt that the State was interfering in what they perceived to be already successful programs. As a result, a significant level of mistrust and negative attitudes existed, which ultimately led to a breakdown in cooperation and communication. According to a Federal management study, "perceived as being set up for failure, the counties [were] convinced the State [had] plans to take over all child support enforcement activities in Arizona."

As a result, by 1986, more than one-half of the counties (9 out of 15) were no longer in the program. In 1988, the State received its biggest influx of county cases when Maricopa County, representing over two-thirds of the IV-D cases in Arizona, declined to participate in the program.(1) Not only did the State have to take responsibility for working the cases, it also lost a major source of funding for the program, as the counties that participated provided 34 percent of the funding for their programs.

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(1) According to DCSE officials, at the time, Maricopa County had possession of approximately 35,000 non-AFDC cases and the State was already attempting to prosecute approximately 60,000 AFDC cases for Maricopa County.

Today, there are only five county attorneys that contract with the State to perform IV-D services. The State is responsible for handling cases for the remaining ten counties with the Attorney General's Office providing the legal services.

Organization And Staffing

In addition to DES and county attorney staff, there are other agencies involved in the program. Some clerks of Superior Court contract to collect and distribute child support payments. The Attorney General's Office also plays a significant role in the program. It provides legal services for DCSE for the ten counties in which the county attorney does not contract. (For further information on the structure of the program, see Finding II, page 21).

There are approximately 802 employees statewide that are involved in handling an estimated 275,000 IV-D child support enforcement cases. This includes State employees (both DES and the Attorney General's Office) and county staff (both county attorney staff and Clerk of Court staff). However, as illustrated in Table 1, DES employs most of the staff.

TABLE 1

ESTIMATED STATEWIDE STAFFING FOR CHILD SUPPORT ENFORCEMENT
Fiscal Year 1992-1993

DES	513.0
Attorney General	68.5
County Attorneys	123.0
Clerk of the Court	87.5
Other(a)	10.2
Total	802.2

(a) Other staff include deputy sheriffs to serve legal documents and Family Law commissioners within the Superior Courts for expedited court hearings.

Source: Division of Child Support Enforcement and the Office of the Attorney General.

Program Funding

Much of the program's funding comes from the Federal government. The Federal government currently reimburses each state 66 percent of the cost of administering its program. The state and the counties participating in the program are, therefore, responsible for providing the remaining 34 percent for program expenditures. As AFDC collections are received, a portion of the funds are returned to the Federal government for its contribution, and the state retains its share. In addition, the Federal government will provide to states a part of the Federal share according to a formula which rewards cost-effective state programs through an AFDC incentive provision. In addition, there is an incentive for non-AFDC collections, also determined by the efficiency of the program. The state in turn, passes on a portion of AFDC-retained collections and Federal incentives to the counties participating in the program.

TABLE 2

ESTIMATED REVENUES FOR CHILD SUPPORT ENFORCEMENT FOR FISCAL YEAR 1992-93 (Unaudited)

Federal Share	
Federal Match	$26,674,000
Federal Incentives	$ 2,405,100
State Share	
Appropriations	$ 2,842,600
Share of Retained Collections	$ 4,690,200
County Share	
Appropriations	$ 902,200
Share of Retained Collections	$ 425,000
Total Revenue	$37,939,100

Source: DCSE Estimated Expenditures and Revenue for Fiscal Year 1993.

Results Of Our Study

As detailed in our findings, child support enforcement is a very complex process involving a number of governmental agencies. Because the process

in Arizona is highly judicial, there are many complicated legal aspects to the program. Unfortunately, many of Arizona's cases are at the initial stages of this time consuming process. As a result, in Arizona, like many other states in the nation, only a small percentage of cases are actually receiving child support payments on a regular basis. This leaves hundreds of millions of dollars that go uncollected each year. Through our audit work, we identified a number of different methods that may assist DES in improving its productivity and ultimately increasing its revenue earning potential.

Audit Scope

Our report presents findings and recommendations in four areas:

- The extent to which child support cases are worked and collections are received,
- The need for statutory changes that will provide DES with adequate authority to administer the program,
- The need to implement additional operational strategies to increase productivity, and
- The need for DES to implement a more aggressive cost recovery program.

Our audit contained some scope limitations. During the audit, the program was in the middle of conversion to a statewide automated system, therefore, we were unable to obtain statewide data from a single system.(1) In addition, we encountered problems with data accuracy because the other systems used in conjunction with the new system are plagued with inaccurate and incomplete information.(2) Furthermore, some

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(1) The Statewide Caseload Index (SCI), implemented in 1988, is scheduled to be phased out by December 31, 1992. All child support enforcement information will be maintained in the Arizona Tracking and Locating Automated System (ATLAS).

(2) We did not attempt to test the accuracy of the information within any of the automated systems.

counties were unable to participate in our study because they were in the midst of converting to the new system, and therefore had devoted much of their time and resources to that effort.

The report also presents other information on the history of the development and current status of the new automated system (see pages 47 through 51).

The audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the Director of the Arizona Department of Economic Security, the Assistant Director and staff of the Child Support Enforcement Division, as well as the many Attorney General and county staff for their cooperation and assistance during the audit.

FINDING I

ARIZONA'S IV-D PROGRAM HAS FAILED TO COLLECT HUNDREDS OF MILLIONS OF DOLLARS IN CHILD SUPPORT PAYMENTS

Overwhelmed by an enormous workload, DCSE obtains regular child support payments for fewer than five percent of the parents it serves. Large backlogs exist in almost every phase of the lengthy process that should eventually culminate in the collection of child support. Yet, only a small portion of backlogged cases are worked each month. Even in the one in four cases where support orders have been established, amounts collected fall far short of what is owed. We found the current staffing and operating procedures for working child support cases are very inadequate. As a result, Arizona has failed to collect hundreds of millions of dollars in child support payments.

DCSE's Large Backlog Of Cases Will Require Extensive Work To Achieve Collections

DCSE is buried under a backlog of cases that need substantial work before child support payments can be collected. Working child support cases includes all the activities which are necessary to collect child support, such as locating an absent parent, establishing paternity, establishing a support order, or enforcing a support order.(1) Unfortunately, almost one-half of Arizona's 275,000 child support cases are in the early stages of the process and will require substantial efforts to bring them closer to resolution.

The child support process can involve many activities - Child support cases can take various paths through the child support system, however the major functional activities of any child support enforcement program include:

(1) Not all activities may be required in each case.

- **Intake/Assessment** involves opening a case record and compiling data on the custodial family and non-custodial parent. This is the point where a case enters the process. Accurate and complete information regarding the non-custodial parent's social security number, employer's address, and names of friends and relatives should be gathered to help locate the non-custodial parent. However, in many cases, little information regarding the non-custodial parent is available.

- **Locate** encompasses all the efforts to find alleged or acknowledged parents who are not fulfilling their financial obligation to support their children. Locating the non-custodial parent is critical because DES cannot complete the subsequent steps of establishing paternity and the support obligation (if needed) or of collecting child support payments without it.[1]

- **Paternity establishment** is a key component of any child support enforcement program because the alleged father of a child must be identified as the legal father before a child support order can be established and enforced. Paternities are established in either of two ways: (1) through a voluntary acknowledgement by the father or (2) if the case is contested, through a determination based on scientific and testimonial evidence.

- **Support order establishment** involves the development of a support award that legally obligates the non-custodial parent to pay child support. If the non-custodial parent fails to stipulate to a child support amount based on Arizona's Child Support Guidelines, the case is referred to the Attorney General's Office for prosecution.[2]

- **Enforcement** refers to a wide array of techniques that can be used to enforce the payment of delinquent accounts (arrears) or to ensure regularity and completeness of current accounts. These techniques include wage assignments, Federal and State tax intercepts, lottery intercepts, unemployment insurance intercepts, etc.

- **Collections** refers to the processing, recording, and distributing of child support collections from the non-custodial parent. Bringing a case to this point is the ultimate goal of any child support enforcement program since it indicates the non-custodial parent has become financially responsible for the child.

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(1) A case can go to one of several different places after the non-custodial parent has been located. If paternity is an issue, the case will go to the paternity function. If paternity has already been established but no support order exists, the next step is to establish a child support order. If a child support order already exists, the case will be referred to enforcement to enforce payment of the child support order.

(2) Cases in the five county-run programs are prosecuted by the county attorney's office.

The extent and type of activities performed by DES to process a case varies greatly. For example, in the case of an unmarried couple where the mother has custody of the child, before DES can make a collection, it may have to locate the alleged father, establish paternity, obtain a support order and perhaps implement some form of enforcement activity. In contrast, where a couple gained a support order with their divorce, DES might conduct only locator activities and some form of enforcement activity to obtain a collection. In any case, processing a child support case to the point of achieving collections can be difficult and time consuming.

Most cases are backlogged in the early stages of the process - The majority of Arizona's child support cases need substantial actions to move the cases closer to the ultimate goal of collecting child support payments. A DCSE report indicates only about 25 percent of the existing cases have a child support order established. Furthermore, only three percent of all cases are receiving regular child support payments. Figure 1 (see page 12) reveals the largest percentage of DCSE's child support cases are in the paternity function. As noted earlier, paternity must first be established before a child support order can be established and child support payments can be collected. However, as of October 1992, paternity has yet to be established in over 94,000 cases.[1] An additional 65,220 cases require locating the non-custodial parent before any further action can be taken.

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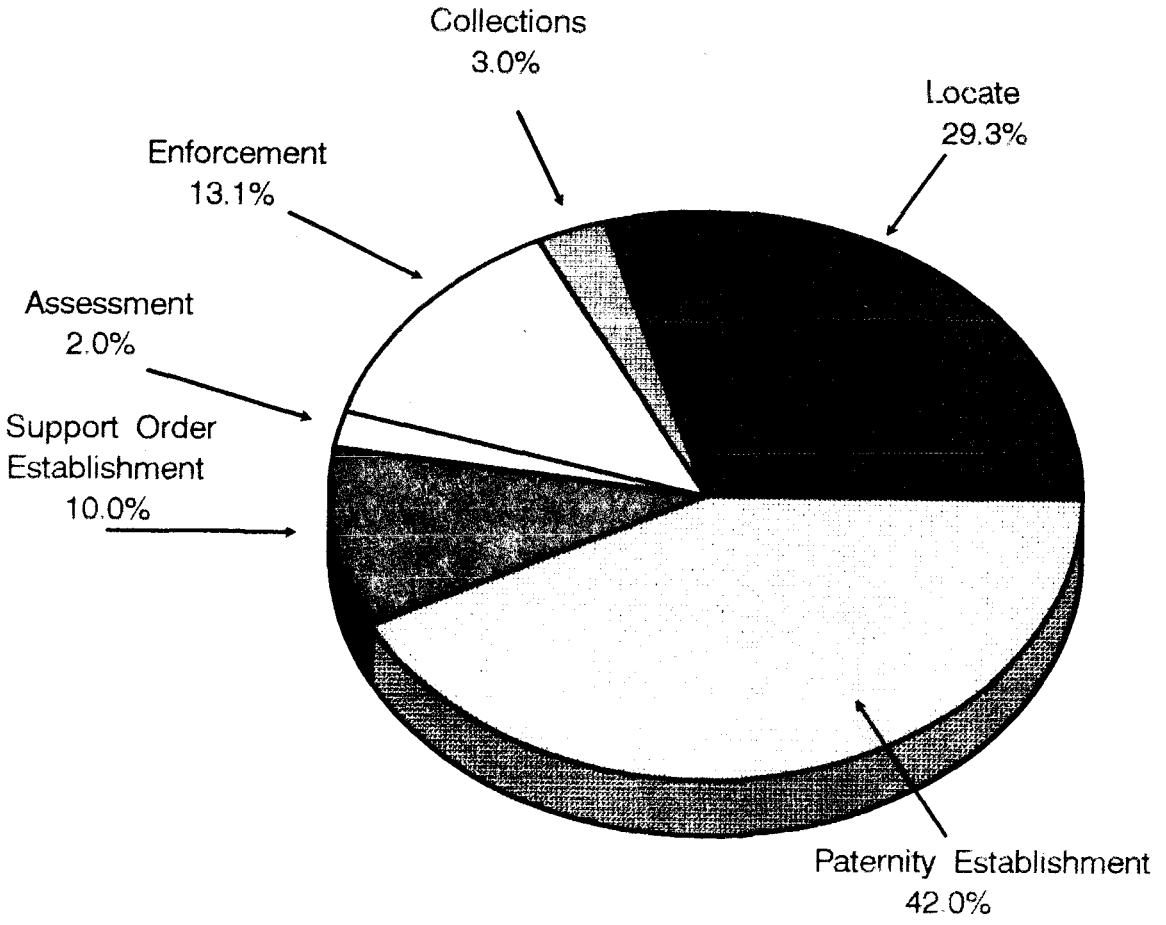
(1) As of October 5, 1992, 223,000 of the estimated 275,000 cases have been loaded onto DCSE's new caseload tracking system called ATLAS (Arizona Tracking and Locating Automated System). Thus, the actual number of cases needing paternity established and non-custodial parents located will be even higher.

FIGURE 1

PERCENTAGE OF CHILD SUPPORT CASES IN EACH FUNCTION



(a) Percentages do not equal 100% due to rounding.

Source: October 5, 1992 DCSE report of child support enforcement cases by function.

Only A Small Percentage Of DCSE's Large Caseload Can Be Worked Each Month

Our review of cases actually worked indicates that DCSE cannot, given current resources, make even a small dent in its enormous workload. A data collection study involving ten of the 15 counties serviced by the State revealed that less than 10 percent of the active cases were worked in May. Many cases appear to simply become lost in the system.

To determine the extent to which child support cases are worked, 99 staff from 10 counties were asked to capture on a daily basis every case worked on during the month of May 1992.[1] According to agency caseload figures, these 99 staff were responsible for 123,130 child support cases, or 45 percent of the State's reported cases. We selected a one month data collection period for two reasons:

1. We were interested in determining staff's ability to handle all of their assigned cases during a one month period; and,

2. Statistical reports are compiled on a monthly basis; thus we were able to compare the volume of cases worked in the month to the results reported by the 99 staff.

Using DCSE caseload data files, we matched those cases handled to the cases available to work in an attempt to identify the extent to which cases are worked in one month's time. Information presented regarding cases worked and results achieved pertains to only these 123,130 cases and the 99 staff involved in the data collection study, unless otherwise noted.

Number of cases worked is small - Our data collection effort revealed that most of DCSE's cases received no activity in May. Specifically, our analysis revealed:

- Only 8,283 cases (7 percent) of 123,130 cases received action considered necessary to move a case closer to resolution; i.e. locate attempts, telephone calls made to obtain information or calls taken to receive information on a case, letters sent requesting appointments with custodial or non-custodial parents, referring cases for prosecution, etc.

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(1) DCSE staff included legal assistants, unit technicians and clerical personnel. These staff handle cases for Apache, Coconino, Graham, Greenlee, LaPaz, Maricopa, Mohave, Santa Cruz, Yavapai, and Yuma counties participated in the data collection study. Although we attempted to include contracting counties in our study, various factors precluded these counties from participating. In addition, the analysis does not include cases handled by the Attorney General's Office.

- 3,410 additional cases (3 percent) received some action that did not impact the processing of the case; i.e. a telephone call requesting the status of the case, filing a piece of correspondence in the case file, or simply pulling the case up on the computer for review.

In addition, very few measurable results were reported in association with the thousands of cases handled in May. Monthly reports capturing the results achieved by the 99 staff involved in our data collection revealed:

- Non-custodial parents were located in 1,214 cases.
- Paternity was established in 56 cases; in another 30 cases non-custodial parents agreed to acknowledge paternity once a blood test was conducted and the test results were positive.
- Child support orders were established for 52 cases.
- Wage assignments were ordered in 37 cases (many of which are the same cases as those where child support orders were established) and 174 wage assignments were enforced, resulting in an additional $68,826 that could be collected monthly.(1)

Many cases experience delays - Many cases have not progressed in quite a while. Our analysis revealed that thousands of cases remain at the same step of the process for months.(2) Specifically, we found:

- Cases remain in the paternity function (i.e. paternity needs to be established) an average of 10 months. Over 5,000 cases have been at this stage of the process for over one year; another 129 cases have been at this function for over two years.
- Cases have been in the establishment function (i.e. child support order needs to be established) an average of 10 months also. Of the 6,369 cases in this function, 37 percent have remained at this step of the process for over one year.

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(1) Although current law requires an automatic wage assignment on all new child support orders, a wage assignment can only be implemented if the non-custodial parent has verified employment.

(2) Analysis was performed on 36,962 active cases as of a May 26, 1992 ATLAS data file. These cases represented the caseload in nine of the 10 counties involved in our data collection study. We could not determine the length of time cases are in the locate function since a date of assignment was not provided in 94.5 percent of these cases. Data obtained from an older computer system for Maricopa County cases could not track length of time in each function.

However, many factors beyond DCSE's control can impact the amount of time it takes to process a case. For example, efforts to process a case can be hindered if little or inaccurate information is provided regarding the non-custodial parent. We found that information crucial to locating a person, such as social security numbers and even the non-custodial parent's name, is often not provided.(1) In addition, in many cases it appears the custodial parent fails to provide documents which DCSE must have before any action can be taken. For instance, some custodial parents fail to provide the paperwork identifying the father or alleged father which is a document DCSE must obtain before processing a paternity case. The cooperation of the non-custodial parent is also crucial to moving a case along in a timely manner; however, we found many non-custodial parents are uncooperative.

In addition to factors beyond DCSE's control, we found some cases are delayed simply because no one is actively working on them. We reviewed a small judgmental sample of 33 cases and found that more than one-half of these cases had not been actively worked in over six months.(2) A few cases had gone several years without being actively worked. Following is an example of a viable case that has essentially been lost in the system for more than two years.

- In January 1990, an unmarried mother of a 13 year old child applied for help with DCSE to establish paternity and a child support order. DCSE verified the alleged father's social security number, residence and place of employment shortly thereafter; however, no further action has been taken on this case in over two years. A DCSE staff person responded that if the custodial parent had kept in touch with DCSE, the case most likely would have been worked. However, a lack of staff prevents them from working all cases.

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(1) In our analysis of 123,130 cases, we found 49,505 cases had an invalid or no social security number and the non-custodial parent's name was unknown in 2,788 cases.

(2) A random sample of 33 cases was selected for review from the population of cases in our data collection study that were not handled in May.

DCSE also identified many cases that have been neglected for years.[1] Data compiled by DCSE staff revealed that 26 percent of 828 cases reviewed had not been worked in over five years. One case had not been worked in over 20 years. Many of these cases were subsequently closed; some due to the expiration of the statute of limitations.

Millions Of Dollars In Child Support Payments Remain Uncollected

Child support is oftentimes not collected in the one in four cases which have orders established. We analyzed child support debt and receipt information and found that an overwhelming majority of non-custodial parents are failing to comply with monthly support obligations. As a result, hundreds of millions of dollars in child support payments remain uncollected. Specifically, our analysis found:

- 20,476 of the 30,618 cases that should have received child support payments in May received no payments for the month.
- 17,772 of the 30,618 cases received no child support payments the first five months of 1992.
- Less than $4.1 million of the $7.7 million due in May was collected.

The failure of non-custodial parents to make ordered child support payments has created an enormous balance of past due child support that continues to grow. For just those cases on the new automated system as of June 1992, over $300 million in child support was past due. Over $100 million of this amount is owed for reimbursement of Aid to Families with Dependent Children (AFDC) grants. The actual amount past due will be much higher since at least one-half of Maricopa County's cases were not yet on the ATLAS system as of June 1992.

Arizona is not alone in its struggle to collect child support. The ability to enforce payment of child support owed is a national problem. Arizona's collection rate of 52 percent in May 1992 is similar to the national collection rate of 53 percent reported in 1990.

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(1) Prior to converting cases to ATLAS, DCSE attempted to identify cases that could be closed. Using several criteria, DCSE identified over 80,000 cases to review for closure.

The Current Staff Size And Operating Procedures For Working Child Support Cases Are Very Inadequate

The number of staff, as well some operating procedures, is insufficient to handle the increasing number of child support cases. While DCSE management is taking steps to lower caseload ratios, other options to improve case handling should also be considered, as discussed in Finding III.

The number of child support cases DCSE is responsible for has increased dramatically and continues to rise. Arizona's caseload has tripled in the past seven years, increasing from a reported 88,757 cases in 1986 to approximately 275,000 cases in 1992. DCSE reported that an average of 4,300 new cases entered the system each month in 1992. Until several years ago, various county attorney offices operated the child support function while the State performed a mainly administrative role. However, as counties opted out of the program the State acquired their child support cases. When Maricopa County left the program in 1988 the State was burdened with an additional 35,000 child support cases. Some believe the State has never fully recovered from this increase in cases.

Caseloads are too high - Large caseloads have overwhelmed staff. Although caseloads vary among offices, DCSE legal assistants average about 3,000 cases each.[1] Approximately 97 percent of these cases require some type of action and many cases, such as paternity cases, will require numerous actions. However, various child support staff indicated they cannot possibly work all their cases and that only those parents that "scream the loudest" receive attention. One supervisor commented that some files have not been worked in six years and does not anticipate that they will be worked any time soon. Another supervisor remarked that 75 to 80 percent of the cases are backlogged and it would take years

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(1) Legal Assistants' caseloads ranged from a low of 1,208 cases for Santa Cruz County to a high of 6,185 cases for Apache County. However, not all cases can be considered workable. Many cases do not have sufficient information to locate the non-custodial parent and to proceed with the case: in other cases where the non-custodial parent resides on an Indian reservation, they are not within the jurisdiction of State courts and DES has been unable to get the tribal courts to enforce the orders.

to work them all. A major reason cited for not working cases was simply the volume of cases.

DCSE's caseload is high compared to similar programs in other states. We surveyed 11 child support programs in other states in an effort to identify and compare their caseload ratios and found that although program structures and staff responsibilities vary, other state's caseloads are typically much lower than Arizona's.[1] For example, Minnesota's child support officers average 400 cases each while enforcement officers in Maine average 600 to 700 cases each. Alabama officials consider their caseworkers' 1,000:1 ratio unreasonable. Compared to the states we surveyed, DCSE's ratio of 3,000 cases per caseworker is extremely high. In fact, a representative of a national child support organization remarked that Arizona's caseload is "outrageous."

<u>Current plans to lower caseloads may not provide quick results</u> - Although DCSE management has made caseload reduction a priority, caseloads are so large that current plans to hire some additional staff may not significantly impact the problem. In an attempt to address its problem of high caseloads and low accountability, DCSE management has recently developed a plan to reorganize and hire additional staff. In fact, some additional staff have already been hired.[2] In addition, by April 1993, management plans to hire an additional 67 staff and open one additional office in Maricopa County. Under this plan the number of DCSE legal assistants will increase by over one-half, from 65 to 104 legal assistants. However, DCSE estimates caseloads will still average about 2,200 per legal assistant.[3] Eventually, DCSE would like to get caseloads down to between 850 and 1,250 cases per legal assistant and plans to hire additional staff as funds are available.

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(1) States included in the survey were Alabama, Colorado, Idaho, Indiana, Maine, Massachusetts, Michigan, Minnesota, Oregon, Pennsylvania and Virginia. See Appendix for details on how these states were selected.

(2) According to DCSE, these positions will be funded by additional revenue generated from increased establishment and enforcement activities.

(3) Based on DCSE's estimate of 225,787 State cases for 1993.

The current gap between staffing levels and workload is so great that DCSE should not wait to increase its staffing levels. We recognize that DCSE can significantly improve productivity by completing its conversion to an automated system and by improving its operational methods (see page 34). In addition, other productivity improvements may be possible through contracting out some functions, if DCSE is given authority to do so (see page 32). However, even if productivity is doubled, or even tripled, too many cases would still remain unworked or would be neglected for unacceptable periods of time. While we do not know the precise number, it appears significantly more staff are needed and DCSE should expand and accelerate its current hiring plans.

DCSE should undertake a study of its child support enforcement program to identify optimum case processing methods and a formula for determining and implementing the most appropriate staff allocation. Tools are available to assist DES in forecasting its staffing needs. We found the Federal Office of Child Support Enforcement has developed a workbook to assist states in developing model office designs and determining appropriate resource allocations using a minimum of time and internal resources.

RECOMMENDATIONS

1. DCSE should consider undertaking a study to determine how many additional staff are needed to efficiently and effectively process child support cases.

2. The Legislature should consider supporting DCSE's efforts to increase staff.

FINDING II

STATUTORY CHANGES ARE NEEDED FOR DES TO HAVE ADEQUATE AUTHORITY OVER THE CHILD SUPPORT ENFORCEMENT PROGRAM

DCSE's role as the statewide authority over the child support enforcement program needs to be significantly strengthened. Currently, the program is fragmented among numerous agencies with DCSE having little administrative authority. Lacking adequate control, DES has at times experienced problems in obtaining cooperation. Statutory changes are needed to provide DES with the options it needs to administer an efficient and effective program.

When Title IV-D of the Social Security Act was enacted in 1975, states were required by Federal law to establish a "single and separate organizational unit to administer the IV-D plan." Since this unit must be a State agency, DES was designated as the IV-D agency. Further, pursuant to Federal regulations, the "IV-D agency shall be responsible and accountable for the operation of the IV-D program." While the IV-D agency is not required to carry out all functions of the program, it must insure that the program is carried out properly, efficiently, and effectively throughout the State.

Program Is Fragmented, With DCSE Having Little Control

DCSE has never been able to effectively fulfill its statewide administrative role required by Federal law. Responsibility for the program is fragmented among numerous State and county agencies and DCSE does not have control over it.

Arizona's child support enforcement program is fragmented - A variety of State and county agencies are involved in child support enforcement, resulting in a fragmented and unstable statewide structure. Federal regulations allow the IV-D agency to contract for a variety of IV-D services throughout the State. During the early years of the program, most of the counties contracted with DES to provide IV-D services.

However, during the 1980's, many county attorneys opted to no longer participate in the program, leaving their caseloads for the State to work. Today, there are only five county attorney offices that perform most of the IV-D activities in their counties.[1]

In addition to services performed by the county attorneys, many county Clerks of Superior Court (COC) contract to handle the function of receiving, posting and distributing child support payments. County Sheriffs may also participate in the program by assisting DCSE in serving legal papers when necessary. Furthermore, county contracts may also include authorization for the Superior Court to appoint a Family Law Commissioner to expedite the child support hearing process. Finally, at the State level, DCSE contracts with the Attorney General's Office to assist it in processing cases in those counties in which the county attorney does not contract.

Thus, as illustrated in Table 3 (see page 23), the mix of agencies providing services in any given county can be different. In all, a case may pass through four different governmental agencies during the course of being worked.

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(1) DES signs a single contract with each county Board of Supervisors for the particular functions in which the county wants to participate.

TABLE 3

CURRENT STRUCTURE OF ARIZONA'S CHILD SUPPORT ENFORCEMENT PROGRAM

County	Case Processing(a)	Payment Processing	Service of Process(b)	Court Hearings(c)
Apache	DCSE	COC	DCSE	Judge
Cochise	County Atty	COC	Sheriff	Judge
Coconino	DCSE	COC	DCSE	Judge
Gila	County Atty	COC	DCSE	Commissioner
Graham	DCSE	DCSE	DCSE	Judge
Greenlee	DCSE	DCSE	DCSE	Judge
La Paz	DCSE	DCSE	DCSE	Judge
Maricopa	DCSE	COC	DCSE	Commissioner
Mohave	DCSE	DCSE	DCSE	Judge
Navajo	County Atty	COC	Sheriff	Commissioner
Pima	County Atty	COC	Sheriff	Commissioner
Pinal	County Atty	COC	Sheriff	Commissioner
Santa Cruz	DCSE	COC	DCSE	Judge
Yavapai	DCSE	DCSE	DCSE	Judge
Yuma	DCSE	DCSE	DCSE	Judge

(a) The Attorney General's Office provides legal representation for DCSE for cases needing legal action.
(b) DCSE contracts with a private vendor for service of process.
(c) Superior Court has jurisdiction over child support cases.

Source: Division of Child Support Enforcement

Statutes do not provide for overall program control - Although DES is responsible for the program statewide, statutes currently do not contain provisions that mandate its control and authority over the various agencies involved. There is only one statute that requires DES to administer the program. However, it does not define the term "administer" nor does it describe the responsibilities or actions DES should take in administering child support enforcement services. In fact, other statutes pertaining to child support enforcement reveal that DES has very little control over who provides services, indicating that it must rely on the either a county attorney or the Attorney General as

the prosecuting agency. According to A.R.S §46-133(D), "the appropriate county attorney shall have jurisdiction to prosecute and enforce all actions arising under the child support enforcement programs ..., except that the attorney general shall have concurrent jurisdiction in any county where the county attorney refuses to prosecute and enforce the actions..." While the county attorney's and the Attorney General's role is written into law, there is no statute that provides DES with control over the services provided by these agencies. If a county attorney decides to no longer participate in the program, DCSE must step in and, with the assistance of the Attorney General's Office, work that county's cases. On the other hand, if a county attorney currently not in the program wanted to provide IV-D child support enforcement services, DCSE could not disallow that participation.

Lacking Adequate Authority, DCSE Has Had Difficulty In Administering The Program

Lacking leverage over the agencies involved in the program, DCSE has experienced considerable difficulty serving as the statewide agency responsible for administering child support enforcement. For instance, the State and the counties remain gridlocked over various issues regarding the operation and administration of the program. In addition, DCSE has had little control over the nature and type of legal services provided by the Attorney General's Office.

State has difficulty at times in exerting its authority over county agencies - Agencies involved in child support enforcement have resisted DES efforts to exert statewide leadership and control over the program. Currently, DCSE relies on five county attorney's offices to perform a significant portion of the program in those counties. Over the years, DCSE and some of the county attorneys offices have had differences over the manner in which the program should be operated and administered.

- **"Turf Battles"** - Limited authority over the counties has resulted in turf battles between State and county, ultimately impacting program accountability. As one county official aptly noted, "the different agencies are competing, they have different priorities, things get in the way of cooperating, and there is a tendency for responsibility to be directed to no one in particular." Responsibility for working cases is an example of this. According

to a DCSE official, county attorneys participating in the program in the past were allowed to work only a portion of the IV-D cases in their county. Some counties selectively chose the cases they would work, with a tendency to concentrate on non-public-assistance cases, placing the burden on the State to work the public assistance (i.e. AFDC) cases. In a report to the Legislature in September 1991, DCSE reported that 35,800 of the total 57,400 child support cases for four of the contracting counties were handled at the State level.

- Genetic testing for paternity determination - Some counties have resisted DCSE's requests to use a cheaper, more accurate blood test for purposes of determining paternity. In instances when an alleged father refuses to stipulate, he is required to take a blood test for final determination of paternity. If the test results are positive, the father must pay for testing; if negative, the State incurs the cost. There are various testing methods that can be used to determine paternity. For instance, DCSE prefers to use DNA testing for a flat fee rate. This fee includes any additional work, such as having to testify in court. When DCSE sent out the request for proposal for this contract, it invited the county attorneys to join. However, according to a DCSE official, some of the county attorneys offices prefer a different method, known as HLA. HLA testing could cost more because it does not include any additional work.

- Conversion to statewide automated system - County resistance to conversion to the new statewide automated system impacted DCSE's scheduling for the project. According to DCSE staff, some counties have resisted its efforts to convert their cases. For instance, in its original plan for converting cases to the new system, DCSE planned to start with a smaller, pilot county then covert the largest county, Maricopa. However, because of its concerns about the capabilities of the system and the pending implementation of its own court-based system, the Clerk of Court in Maricopa resisted attempts to convert. In fact, Maricopa County attempted to obtain a waiver from the Federal requirement for a single statewide automated system. Due to these delays, Maricopa will be the last county to complete the conversion process.

- Reporting requirements - Although the IV-D agency is responsible for developing statewide statistics for Federal reporting and accountability, some counties have not complied with requests to provide such information. Some counties have refused to abide by DCSE's requests and only report what they believe is necessary. One county has modified the report down from its original six-page format to three pages. Two other counties only report on three specific items (number of paternities established, non-custodial parents located, and support orders established).

Some DCSE officials believe the problems with limited authority are compounded by the fact that the county programs are run by elected officials who have their own agendas and priorities. One DCSE official noted that the level of participation in the program varied radically as new politicians were elected. Furthermore, although there are contracts in place, and provisions in those contracts that allow the State to penalize the contractors if they fail to comply with State and Federal requirements, State officials feel that the program is so political that they have very little, if any, power over the county attorneys.

DCSE has also had difficulty exerting control over its own legal staff - Although DCSE must rely on the Attorney General's Office to provide legal services, it has no direct authority over the attorneys and the services they provide. This has resulted in several problems for DCSE. For instance, although the Attorney General's Office has been providing legal services for DCSE since the early 1980's, no contract for such services was in place until October 1991. According to a DCSE official, Federal regulations require a contract for legal services and empower the agency to guide the direction of legal services.

Although a contract is now in place, DCSE still lacks control over basic work arrangements that it needs to effectively perform its responsibilities:

- **Accessibility to attorneys** - One concern DCSE officials have is accessibility to Attorney General staff. While DCSE is ultimately accountable for the cases it handles, it appears to have little say as to how its legal staff are utilized in working these cases. For instance, while DCSE staff generate many legal documents that need review and approval before further action can be taken, the Attorney General's Office did not commit to locating attorneys at DCSE until 1990 to expedite this process.

  In addition, while the Attorney General's Office now has four attorneys at DCSE, the attorneys are not assigned to any given unit or number of cases. Instead, they review cases in the order they are referred. According to a DCSE official, this results in a constant flow of paperwork back and forth between DCSE legal assistants and attorneys, creating delays. Our review of records

used to track case progress, revealed that case documents wait an average of five days for review by an Assistant Attorney General. If the documents are approved, it takes an additional two days on average, before they are returned to the caseworker.

- Rotation of attorneys - Accessibility to attorneys becomes even more frustrating when they are rotated in and out of DCSE. Generally, every three to four months, attorneys are rotated from DCSE as supervising attorneys to the Attorney General's Office as trial attorneys for child support cases, and vice versa. One DCSE official commented that the rotation of attorneys is disruptive, lacks continuity, and reveals a lack of commitment on the part of the Attorney General's Office to provide adequate legal services. Additionally, the rotation frustrates DCSE staff because they often end up working with a different attorney and have to "train" each new attorney as they are rotated in.

  The Attorney General's Office believes that rotation of attorneys is beneficial for its staff. The attorneys are allowed to gain some experience by working with the trial group first, and then can transfer over to DCSE to provide legal guidance. Additionally, the attorneys have indicated they do not want to be "pigeon-holed" into the position of supervising attorney at DCSE.

While the Attorney General's viewpoint on staffing utilization may be well suited for its needs, it does not necessarily meet DCSE's needs. DCSE officials would prefer to have the attorneys work more directly with the legal assistant teams making the attorneys more accountable for the cases and providing for more continuity of services. However, DCSE is forced to work within the constraints of what the Attorney General's Office desires.

Statutory Changes Are Needed For Stronger Authority

DCSE needs statutory changes to arm it with the authority and control necessary to operate an efficient and effective statewide child support enforcement program. For instance, DES, as the IV-D administrator, should have authority to determine who provides IV-D services in the State. In order to make that decision, DCSE should also have the ability to contract with private attorneys or hire their own, if necessary.

DCSE should have authority over who provides services - While we are not advocating that DCSE operate the entire child support enforcement program, we believe that statutes should provide it with authority to

take control of the program. During our audit, we surveyed several states and found that many have statutes that mandate county involvement in the program; some mandate the state's authority over the program as well.[1] Specifically, we found seven states that have statutes that provide clearer direction for county agencies responsible for handling child support cases. For instance, in North Carolina, counties that are currently operating the program are mandated to continue; state operated units are required to do the same. In California (where all IV-D cases are handled at the county level), statutes require that each district attorney shall be responsible for child support enforcement. In addition, while child support cases may be worked outside of the district attorneys offices in Michigan and Pennsylvania, the district or prosecuting attorney is mandated to appear and prosecute or defend support cases.

In some states, statutes go even further, mandating the authority of the IV-D administrative agency. For instance, in California, statutes explicitly mandate the district attorneys to comply with any guidelines established by the state. Moreover, statutes mandate the state's authority to sanction a county agency, if necessary, if the agency is operating out of compliance with the state plan. In North Dakota, statutes specifically mandate that the state agency shall "act as the official agency of the state in the administration of the child support enforcement program in conformity with title IV-D ... and to direct and supervise county administration of that program." Statutes also mandate that the county agency shall "administer the child support enforcement program under the direction and supervision of the state agency in conformity with title IV-D."

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(1) The states we selected to survey were based on input provided by state and Federal IV-D administrators, a member of the national association for child support enforcement, and an expert in the field of child support enforcement. These individuals were asked to identify states which they considered as having good programs. In addition, of those states identified, we selected states that had programs that were operated by all counties or where cases were handled by both the state and some counties. We were interested in finding out how the state IV-D agency was able to maintain program stability, accountability and control in those situations. States selected were Michigan, Pennsylvania, North Carolina, California, Maryland, Georgia, Iowa, Oregon, Wisconsin, Tennessee, Alabama, Idaho, and North Dakota. All but one state responded.

DCSE should have the authority to utilize private contractors - While the need to go outside of the public sector for child support enforcement services may not be necessary, we believe that statutes should at least allow DCSE that option. Presently, DCSE has no option for obtaining its own legal services; either the county attorney or the Attorney General's Office must provide services. In contrast, other states we surveyed have statutes providing them with options for retaining legal services. For example, in Iowa, statutes allow the state to contract with a county attorney, the attorney general, or private attorneys for legal services. In Idaho, where county participation in the program is also discretionary, statutes provide the state authority to use private counsel.

In addition to providing DCSE with the opportunity to use private counsel in-house, statutory changes allowing this option could also enhance its ability to privatize in other areas of the State. For instance, having authority to obtain IV-D services outside of the county attorney's office or the Attorney General's Office would allow DCSE to hire a private vendor to provide IV-D services in areas of the State where it has limited resources to effectively manage. One state, Tennessee, has done this in several areas of the state and has had considerable success with the program (see page 33 for further detail) .

RECOMMENDATIONS

1. The Legislature should enact child support statutes to allow DES to have the authority it needs to administer the child support enforcement program in a uniform, efficient, and effective manner. Specifically,

   - statutes should be clarified to mandate the authority of DES as the IV-D agency, requiring that any political subdivisions that the State contracts with must abide by State and Federal requirements.

   - statutes should be amended to provide DES with the option of contracting with the Attorney General's Office, the county attorney, or private counsel in order to carry out its responsibilities.

FINDING III

DCSE CAN IMPROVE PRODUCTIVITY AND EFFICIENCY BY IMPLEMENTING NEW METHODS AND APPROACHES

Current methods and procedures for working child support cases are often slow, cumbersome, and inefficient. If it had adequate authority, DCSE could significantly improve efficiency and productivity by contracting out some functions and by utilizing more administrative rather than judicial case processing methods. Restructuring work teams and implementing other operational improvements could also enhance productivity and efficiency.

Identification Of Model Methods And Approaches

To determine the most efficient methods for establishing and enforcing child support orders, we first attempted to identify the highest performing, most productive child support offices both in Arizona and other states. For in-state offices, we analyzed a variety of measures, such as amounts collected and numbers of paternity and support orders established, and then adjusted these numbers for caseload and staff size differences. This allowed us to determine which offices tended to exhibit the highest levels of productivity on a per-worker basis. To identify other high performing states, we consulted current child support enforcement literature and child support organizations. For a more detailed discussion of our methodology, see the Appendix.

We then studied the methods and approaches utilized in these offices, looking for similarities and differences with methods employed by DCSE. As a result of this analysis, we were able to develop a list of methods and approaches which, if implemented by DCSE, could potentially improve efficiency and productivity. While it is difficult to determine the extent to which these methods account for higher performance in other offices, officials in these offices view these methods as important to their success. While some of these methods would require statutory changes to implement, others would not.

Contracting Out Services And Reducing Reliance On The Courts Could Improve Program Performance

Two significant operational approaches used successfully by some other states could be implemented in Arizona if DCSE were given sufficient statutory authority. Other states have demonstrated that contracting out child support functions to private vendors can be an effective, cost efficient, and flexible means of operating the IV-D program. In addition, the use of administrative rather than judicial processing methods has also been implemented effectively in some high performing states.

Privatization - Contracting out child support enforcement functions offers the potential of improving the cost efficiency of the state child support enforcement program. Other states have contracted with private vendors to assist in a number of ways:

- **Establishment of paternity and support orders** - Some states contract out the establishment of paternity and support orders. For example, Wyoming has recently contracted this function to a private law firm for a fixed annual amount of approximately $1 million. State workers do most of the preliminary work (such as locating the non-custodial parent), and then refer the case to the law firm. According to the state's program administrator, about 40 percent of the cases referred now have orders and payments are being received. Alabama also contracts the establishment of paternity and support orders to private attorneys in some of its counties.

- **In hospital programs** - A few states have developed an innovative approach to establishing paternity at birth. Washington and Virginia pay local hospital staff to persuade new fathers to legally acknowledge paternity. Washington pays a $20 agent "finder's fee" for each signed and notarized written statement acknowledging paternity. The in-hospital paternity program in Michigan has been successful in securing paternity stipulations for almost 50 percent of the children born to unwed mothers at one participating hospital.

- **Locating non-custodial parents** - Some child support offices contract with private firms to locate absent parents.[1] For example, in Los

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(1) To aid the IV-D program in locating non-custodial parents that change jobs frequently to avoid paying child support, some states have implemented programs that require employer reporting of newly-hired employees. Employers in Minnesota are, by law, required to withhold child support payments from employees who are subject to a support order.

Angeles County, California, cases with difficult to locate parents are contracted out to a private vendor. The vendor is paid only if it successfully finds information on the non-custodial parent. Fees vary depending upon the type of information provided. One county official estimates that vendor expenditures of less than $150,000 have resulted in about $400,000 in additional child support collections.

- Collections - Some states contract with private collections agencies.[1] For example, Georgia has a contract with a collection agency to work difficult collections cases. The agency is paid on a contingency basis, 20 percent of what it is able to collect. One Georgia official said that since it first contracted out this function four years ago, the collections agency has increased collections every month, and is now collecting about $1 million per month.

In addition, one state has contracted out its entire child support program in certain regions of the state. In Tennessee, a child support enforcement consulting firm was awarded a five year contract to operate the state's IV-D program within a four-county judicial district. The state pays the firm 13.5 percent of its total collections. In the first 11 months of the contract, collections in the district increased 40 percent. According to its IV-D administrator, Tennessee is very satisfied with the results of the project. It has brought in additional resources, improved performance, and improved public service. The project has proven so successful that the state recently awarded the firm a second judicial district to operate, and has also awarded a contract to a second firm.

Contracting out can provide several advantages, such as flexibility in hiring, training, and compensating staff, that may not otherwise be possible. In addition, states can avoid up-front costs for staff and overhead by contracting out on a contingency basis. The firms can be paid only if their efforts result in child support collections. Finally, contracting services can be beneficial to both the state and the custodial parent since some cases, if not contracted out, would not be worked at all.

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(1) DCSE has recently signed a contract with two private collection firms to collect past-due child support on former AFDC cases.

Administrative processes - By utilizing more administrative processes, DCSE could further increase its efficiency. Currently, Arizona's program relies heavily on the judicial system. Most orders and legal remedies, including wage assignments, must go through the Clerks of the Court before they can take effect. Having to go through the judicial system results in time delays and higher legal costs.

Some high-performing states make greater use of administrative processes and are less dependent upon the Courts. For example, Oregon has simplified administrative processes for activities such as establishing paternity and support orders, wage withholding, and intercepting tax refunds. Caseworkers in Oregon can bypass the judicial system for most functions.

Greater use of administrative processes has been urged by an organization which has studied child support enforcement on the national level. In a recent report to Congress, the U.S. Commission on Interstate Child Support recommended that states "simplify the child support process and make it more accessible by using administrative procedures where possible."

Statutory changes would be needed to allow DCSE to make greater use of administrative processes. Under current law, the agency must submit cases for judicial review and processing.

Changes In Methods Of Operation Could Increase Worker Productivity

Using existing authority, DCSE could implement a number of other operational strategies that would improve efficiency and productivity. For instance, restructuring work teams along functional specializations would increase efficiency. Consolidating processing steps, prioritizing cases more effectively, and establishing performance goals and incentives would further improve productivity.

Caseworker teams - Reorganizing more staff along functional lines and integrating attorneys into the work units would improve DCSE's efficiency and effectiveness.

Some DCSE workers are assigned to units with limited functional responsibilities, while other workers must handle a variety of responsibilities. In its central office, DCSE has established functional units for several activities including intake, locate, and determining paternity. The largest group of workers, however, are assigned to units responsible for establishment and enforcement of child support orders (E & E units). Unlike their counterparts in the more specialized functional units, caseworkers in these units are assigned an alphabetically organized block of cases and must handle a variety of case processing activities such as assembling establishment orders, initiating numerous and diverse enforcement efforts, and responding to requests from other states for information and services.

Further, Attorney General representatives assigned to child support are organized separate and apart from DCSE staff. Attorneys are assigned to one of two units within the Attorney General's Office, and handle cases on an "as referred" basis.

Many successful offices we contacted, especially those with high caseloads, reported greater use of specialized staff units. Generally, the larger the office, the greater the specialization. Unlike Arizona, several successful states separate the establishment from the enforcement function, allowing workers in these units to become more proficient in their specialized area. An official with the Federal Office of Child Support Enforcement recommends this work unit structure. He stated that child support enforcement is complicated and he recommends, at a minimum, that establishment and enforcement should be divided among staff. One worker, he said, should not be expected to perform both because "it is too hard to learn both areas." This is especially true in offices which experience high turnover or where training is limited.

Better integration of attorneys into work teams is also evident in other states and in higher performing county attorney offices in Arizona. For instance, in Georgia and Tennessee, each attorney works cases from initial review to completion. In Iowa and Los Angeles County,

California, attorneys are generally assigned to a team of caseworkers. More successful offices in Arizona attribute some of their effectiveness to greater attorney involvement. For example, in the Pima County Attorney's Office, the attorneys are considered leaders of the establishment and enforcement units.

Late in our audit, DCSE developed a proposal to reorganize its caseworker units, and to increase specialization. Establishment and enforcement activities would be separated. DCSE has also reorganized the central office into smaller, regional units which will ultimately be decentralized throughout Maricopa County. DCSE management believes that the new structure will improve accountability among workers and provide more responsive local services to its customers. The Attorney General's Office has indicated that it may similarly have to reassign attorneys on a regional office basis.

Other operational strategies that should improve productivity- In addition to reorganizing caseworker teams, we identified a number of other operational strategies that should help DCSE improve its productivity:

- **One-Step Process**- By implementing a one step process for paternity and support order establishment, DCSE should be able to increase the number of cases with court orders and thus increase the number of paying cases. Currently at DCSE's central office, the establishment of paternity and support orders are performed in two steps, by caseworkers from two separate units. First, the non-custodial parent is brought in to obtain his acknowledgement of paternity. Second, if paternity is acknowledged, the paternity unit refers the case to an establishment unit to follow-up with the non-custodial parent to establish a support order.

  The two-step process creates a productivity and accountability problem. The potential exists for cases to sit in the Establishment Unit for an extended period of time after being referred by the Paternity unit. In some cases, the case may sit for so long without any work being performed on it, that the non-custodial parent may have to be "located" again before the caseworker can proceed with the establishment of the support order. The opportunity to take advantage of the "new father" mindset diminishes as the case ages without a support order. Over time, fathers are less likely to agree to stipulate to a support order.

- <u>Prioritizing cases worked</u> - While Federal regulations require that all cases are to be worked, limited staffing resources suggest the need to focus efforts on cases with the most potential for collection. The current priority system used by DCSE staff does not accurately reflect high and low priority cases. As a result, the order in which case are presented to case workers does not necessarily list first the cases with the most information. Caseworkers may have to search through their lists to find the higher priority cases. Offices that we contacted within Arizona and other states, said they focus their resources on cases they consider most workable. For instance, an official of the Cochise County Attorney's office stated that his office does not attempt to work cases with little information on the non-custodial parent. An official of the Pinal County Attorney's office expressed the opinion that to attempt to process "unworkable" cases would be a complete waste of time.[1] This prioritization of work efforts may have been an important contributing factor in the success of these county offices in obtaining support orders. Pinal county leads the State with 36.4 percent of its caseload having support orders. Cochise County is a close second with court orders on 32.1 percent of its caseload.

  Other states surveyed also expressed a philosophy of placing efforts on only their most workable cases. For example, Colorado has an agreement with the Federal Office of Child Support Enforcement that allows it to close paternity cases in which the mother says the father is unknown, or there is insufficient information to locate the father. In another state, cases like this are opened and closed immediately in the hard copy file. These cases are not put on the computer system.

  While there is a potential for audit penalties for not adequately working cases, several child support offices both in Arizona and in other states, indicate that they rarely pursue "unworkable" cases.

- <u>Performance goals/incentives</u>- Setting performance goals and standards on a regular basis would also increase staff productivity. Having clearly defined and well communicated performance goals is essential to increasing and maintaining a high level of productivity. Many agencies, both public and private, use performance measures and goals as a means of improving their programs. Several of the other State child support offices we contacted indicated that they use performance goals as a means of increasing productivity. These goals can be set and tracked at the office and individual worker level.

  Although DCSE management currently sets projected goals for the overall organization in their quarterly reports, these performance goals are not always communicated down to the supervisors and staff who are expected to achieve those goals.

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(1) Examples of cases considered "unworkable" would include those in which the mother provides no information on the identify of the father, or where a non-custodial parent lives on an Indian reservation. The State courts do not have jurisdiction over the reservations and cannot enforce order or serve process on people who live and work on the reservations.

However, a recent experiment with setting goals for line staff in each State office in Arizona demonstrated the effectiveness of performance goals. In June 1992, DCSE management set a goal of issuing 500 wage assignments on cases that were not receiving payments. Not only did the offices involved meet the goal, they exceeded it by 49 percent. This was a significant improvement over the 277 wage assignments issued in May.

In conjunction with performance goals, some child support offices across the country utilize performance based incentives to further encourage productivity. Proponents of using monetary incentives argue that having incentives has been beneficial for the offices that have such programs. For instance, Georgia obtained special permission from its State Personnel and Attorney General's office to implement a monetary incentive program for its employees. It was the first government program of its kind in the nation. Under the program, each employee on the child support team may earn between $500 and $1,000 in extra pay every six months. The amount awarded is based on the percentage by which goals are exceeded. The program is credited with generating an additional $36.6 million in collections over projected goals.

- <u>Public relations</u> - A more aggressive public relations campaign could benefit both the parents involved in the IV-D program as well as DCSE. Currently, DCSE provides very limited information to the custodial parents that are receiving agency services. In addition, open communication with the non-custodial parent is not always encouraged. For instance, DCSE policy forbids discussing financial information with alleged fathers in paternity cases until paternity is established. One could argue that this creates an adverse relationship with fathers. By contrast, County Attorney operated offices do not follow this policy. One County Attorney official commented that he openly communicates with fathers to obtain their cooperation.

  In addition, other offices publish detailed brochures explaining the child support process, defining common terms, and providing the reader with expected time frames for case processing.

  Informing the public about services provided by the program may help reduce the number of phone calls from angry parents wanting to know the status of their case. With better communications, the agency may also enjoy increased cooperation from both parents, which would ultimately expedite the child support process.

- <u>Telecommunications technology</u> - Finally, DCSE should consider implementing additional telecommunications technology to reduce the number of interruptions to casework. DCSE has taken measures to reduce interruptions in most State run offices by routing calls to Inquiry staff, or designating part of the day as "protected time".

  During "protected time" workers do not receive calls from the public. Despite these efforts, incoming calls are frequently cited as a source of interruption to casework. Responding to these calls overrides standard procedure and assigned case priorities.

Other states have addressed this problem by implementing an automated telephone system that allows clients to directly access status information on their case.

RECOMMENDATIONS

1. The Legislature should consider amending child support statutes to allow DCSE to improve its efficiency and effectiveness. Specifically,

   - Statutes should be amended to permit DCSE to contract out more extensively with private vendors.

   - Statutes should be amended to allow DCSE to establish paternity and support orders, and to enforce orders by administrative process, removing the need for court approval.

2. DCSE should consider the following methods to improve the overall efficiency and effectiveness in establishing and enforcing child support orders:

   - Continue efforts to reorganize caseworker teams into more specialized areas and explore ways to integrate attorneys more closely into the caseworker teams.

   - Implement a one step process for the establishment of paternity and child support orders.

   - Review and modify the current priority system to ensure that the most workable cases are given highest priority. Consider obtaining approval from the Office of Child Support Enforcement to close "unworkable" cases and focus attention on cases with the highest probability of success.

   - Establish and monitor performance goals on an office and individual level, as well as at the State level. Pursue the use of incentive programs to motivate and reward staff for high performance.

   - Increase public awareness and cooperation through aggressive media campaigns that: inform custodial parents of services available and legal time frames that they should expect; encourage the cooperation of, and communication with the non-custodial parent; and provide information regarding non-custodial parents' rights and obligations under the law.

   - Reduce interruptions to casework by further restricting incoming phone calls to caseworkers and referring those calls to customer inquiry staff. An automated phone system should be considered to provide callers with case status information.

FINDING IV

DCSE COULD RECOVER MORE OF ITS ADMINISTRATIVE COSTS

DCSE should pursue a more aggressive program to recover the cost of handling non-AFDC cases. Studies reveal that in most non-AFDC cases, individuals receiving IV-D services can afford to pay for them. However, many states, including Arizona, do little to recover the costs of handling these cases. Other states have shown that higher recovery rates are possible without placing an unfair burden on either parent or the taxpayer.

When Congress mandated states to provide services to non-AFDC families, it also provided provisions that allow state IV-D agencies to recover administrative costs for handling those cases. In addition to charging certain fees, such as an application fee, states can recover any costs incurred in handling the case to cover administrative costs. A state which elects to recover costs must adopt an approach and then collect on a consistent case-by-case basis. The state has the option of recovering costs from the non-custodial parent or from the custodial parent, either directly or from the support collected on behalf of the custodial parent.

IV-D Service For Non-AFDC Clients Are Subsidized By Taxpayers

Recent attention has been focused at the Federal level regarding the ability of non-AFDC clients to pay for IV-D child support enforcement services. Both the United States General Accounting Office (GAO) and the Federal Office of Health and Human Services (HHS) conclude that while many non-AFDC clients are capable of paying for the services they receive, taxpayers end up paying for most of the cost to provide the services to these individuals. While Congress may have initially had concerns that such individuals were on the verge of welfare dependency, statistics reveal otherwise. The 1989 census data analyzed by GAO

indicated that, for the most part, non-AFDC clients are not in jeopardy of welfare dependency and can, therefore, afford to pay for the services they receive. For instance, of the 617,962 women, age 15 years and older, that had requested child support services in 1989, about 53 percent had incomes, excluding child support received, exceeding 150 percent of the Federal poverty level. Moreover, 21 percent of those individuals had incomes (again, not including child support) exceeding 300 percent of the poverty level. Despite non-AFDC clients' ability to pay, 37 states recover less than two percent of their costs for handling these cases.

Arizona Currently Charges Few Fees And Recovers Less Than Two Percent Of Costs

Similar to other states, we found that Arizona, while charging some fees, has continually recovered less than two percent of its costs for handling non-AFDC cases. Currently, DCSE charges fees to intercept tax refunds, to pay for blood tests to determine paternity, to locate a non-custodial parent (when no other services are requested), and to process support payments. However, it does not attempt to recover costs for other functions it performs, such as enforcement actions (i.e. liens, garnishments, etc.), support order modifications, or preparation of paternity establishment documents. Additionally, it has chosen not to charge an application fee to non-AFDC custodial parents that apply for child support enforcement services.(1)

Like many other states, however, Arizona recovers only a small percentage of its costs. Table 4 reveals that since September 30, 1990, DCSE has expended an estimated $23.5 million for non-AFDC cases, while recovering an estimated $330,000 of its costs.

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(1) While Federal regulations allow states to charge up to $25 for an application fee, DCSE has chosen to pay the Federal government $1 out of State funds for every new non-AFDC case opened. (In fiscal year 1991-1992, there were 5,410 new non-AFDC cases). In contrast, a non-AFDC client might expect to pay $50 to open a case with a private law firm. And, when child support payments are made, pay 33 to 40 percent of the collections received.

TABLE 4

NON-AFDC COSTS RECOVERED FOR
FEDERAL FISCAL YEARS ENDED
SEPTEMBER 30, 1990, 1991 AND 1992(a)
(unaudited)

	Fiscal Year 1990	Fiscal Year 1991	Fiscal Year 1992	Total
Non-AFDC Expenditures	$8,714,683	$7,018,951	$7,789,732(a)	$34,523,366
Expenditures Recovered	$ 104,339	$ 132,439	$ 92,286(a)	$ 329,064
Percentage of Expenditures Recovered	1.2%	1.9%	1.2%	1.4%

(a) Fiscal year 1992 information is estimated based on doubling the first six months data.

Source: Federal Office of Child Support Enforcement statistics for Federal Fiscal Years 1990 and 1991; and, Auditor General estimates using DCSE procedures and statistics for Federal Fiscal Year 1992 (year to date).

DCSE Should Do More To Recover Non-AFDC Costs

By implementing methods used in other states, Arizona could significantly increase its cost recovery potential. In fact, there are currently two proposals to Congress recommending more aggressive pursuit of non-AFDC expenditures on a national basis.

Other states pursue cost recovery - GAO's report specifically identified four states that recover a much higher percentage of their non-AFDC administrative costs. For instance, New Mexico and Arkansas have adopted programs that recover costs from the support collected. New Mexico uses a service fee schedule with a $450 maximum. Costs are incurred as

services, such as locate and paternity establishment are provided. New Mexico recovers these costs by deducting 10 percent from all collections until all costs are recovered or the lifetime maximum is reached. In addition, it charges a $4 monthly fee for processing child support payments collected. Through these fees, New Mexico recovered about 13 percent of the administrative costs for the year ended September 30, 1990. For the same period, Arkansas recovered about 14 percent of its non-AFDC costs using a fee schedule based primarily on the amount of time spent by attorneys working cases. As costs are incurred, Arkansas deducts a maximum of 13 percent from collections until all costs are recovered. Included in these costs is a $9 monthly processing fee. Unlike New Mexico, Arkansas does not have a maximum recovery per case. The methods used in both New Mexico and Arkansas are not prohibitive to applying for IV-D services because the custodial parent does not incur any up-front costs.

Two other states, Michigan and Ohio, take an approach that is less burdensome to the custodial parent. Instead of taking a portion of the support received by the custodial parent, they charge the non-custodial parent a fee. This fee is added to the amount of child support owed, placing the cost of the service on the person creating the need for the service. For example, Ohio charges non-custodial parents two percent of collections. Thus, if the non-custodial parent is ordered to pay $100 monthly, he or she must remit $102 monthly. Using this method, Ohio recovered approximately 48 percent of its administrative costs for the year ended September 30, 1990. Michigan, on the other hand, charges a flat fee of $2 per month to the non-custodial parent. It recovered about 26 percent of its administrative costs for the same period.(1)

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(1) The higher percent recovered in Ohio and Michigan can be partially attributed to the fact these states, unlike Arizona, handle both Title IV-D, which includes both AFDC and non-AFDC cases, and non Title IV-D child support cases. Inclusion of non-IV-D cases may very likely increase the number of paying cases and thus, increase the amount of fees collected.

Using methods similar to those utilized in the above mentioned states, Arizona could substantially increase its cost recovery potential. For instance, if Arizona recovered a percentage similar to New Mexico and Arkansas (i.e. approximately 10 percent), a savings of over $770,000 could be realized for taxpayers. If the Ohio system were utilized for non-AFDC cases, Arizona could recover approximately $625,000.

Federal agencies recommend more aggressive pursuit of cost recovery - Both GAO and HHS, recognizing the need for greater use of cost recovery methods, have proposals to Congress recommending legislative action to mandate cost recovery. Based on its recent findings, GAO has recommended that Congress amend Title IV-D to require states to charge a minimum percentage service fee of each successful child support collection and eliminate mandatory non-AFDC application fees and optional state and federal tax refund offset fees. GAO and child support administrators from various states believe that this method of recovery is simple to administer, does not discourage participation due to up-front cost, and would not impose a financial burden on clients, because fees would only be collected when child support payments are received.

In contrast, HHS recommends an alternative method of increasing cost recovery. Because of increasing non-AFDC caseloads and expenditures, HHS proposes a mandatory $25 application fee and a $25 annual fee for collection services provided. HHS believes that the current non-AFDC population has the ability to pay for services and that a flat rate application and service fee would provide a simple and equitable way to charge clients.

RECOMMENDATION

DCSE should pursue a much more aggressive policy of cost recovery for non-AFDC cases. Of the approaches available, it should consider those least burdensome on the custodial parent.

OTHER PERTINENT INFORMATION

During the audit we developed other pertinent information regarding the development of Arizona's comprehensive statewide automated system (Arizona Tracking and Locating Automated System - ATLAS).

The Development Of ATLAS

The Family Support Act of 1988 mandates that every state have a certified statewide automated child support enforcement tracking and monitoring system in effect by October 1, 1995. To assist states in meeting this requirement almost all of the funding for the system (90 percent) is paid by the Federal government.[1] However, funding provided by the Federal government can only be used to acquire a single system that meets mandatory functional requirements and that is used by every political subdivision that works IV-D cases in the state.

In total there are over 290 specific functional requirements that must be fulfilled for certification. The system must be capable of exchanging information with several other state computer systems, post, distribute and record all child support collections, and generate a detailed historical record of all case activity statewide. Failure to meet certification standards could result in sanctions for noncompliance with Federal regulations, which could ultimately impact funding of the State's AFDC and child support programs.

Chronology of Arizona's automation effort - Prior to the enactment of the 1988 Family Support Act, Arizona began its development of an automated child support system. Early efforts to provide some automation for Arizona's child support program resulted in one system to log cases and another to handle payments. Both systems are currently in use but neither was designed to fully automate child support services or

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(1) Funding for systems development and implementation expires September 30, 1995.

meet Federal requirements for complete automation. Two attempts by the Department to provide a comprehensive system failed, prompting the Federal government to suggest that Arizona consider transferring in an existing system from another state.

Therefore in 1988, DES evaluated 15 other state systems and eventually selected and received approval to transfer-in the Idaho system. Idaho's system was selected mainly for its user friendliness, strong financial accounting subsystem, automated check writing and receipting capability, and compatibility with other DES systems. It was determined that the system would be implemented in two phases. In the first phase, basic data would be entered onto the system, such as names, addresses, employers and payment history. Phase I would begin with a pilot county (Mohave) where the system would be first used and tested to get any computer program errors out of the system prior to implementation statewide. Phase II activities were reserved for changes needed to bring the system up to Federal certification standards. Included in Phase II are modifications such as the capability to automatically assign cases to individual caseworkers as well as alert them to the immediate actions that must be completed. In addition, interfaces will allow the system to automatically place liens and garnishments on assets belonging to the non-custodial parent.

However, after selecting the Idaho system, DES encountered difficulties implementing it in Arizona. Idaho never provided documentation needed to completely set up the system. At the same time, DES determined that in about 42 percent of the cases the payment history (which shows how much money has been collected and what is still owed) was inaccurate and would need correcting before entering the cases on the system.[1] Delays in documentation acquisition, and the need for financial reconciliation forced DES to request approval to extend Phase I. As a result the Federal office deferred additional funding until conversion in the pilot county was completed.

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(1) Financial reconciliation is being completed at this time by the MAXIMUS consulting firm at a cost of $49.20 per case.

In early 1990, because of the lack of progress in completing Phase I, new management was brought in to revitalize the project. A few months later, the project team completed system testing, case conversion, and activated the pilot county.

Although the project was beginning to see some results, outside reviews of the system's capability noted serious deficiencies. In 1990 a Federal compliance review of project management, financial management and system capability (functionality) was conducted. While the review found that project management and financial management appeared adequate, the review concluded that the system seemed to be deficient in its ability to interface with all necessary systems within organizations (AHCCCS, Department of Revenue, Bureau of Vital Statistics etc.), to locate absent parents, and to monitor delinquent payments.

A second compliance review was conducted in 1991. The review again concentrated on project management, financial management, and system functionality. The review findings indicated that overall project management had improved significantly and financial management was adequately monitored. However, the system still required a great deal of manual intervention and did not meet certification standards in many areas such as case initiation, case management and enforcement.

Current status of the ATLAS Program - When ATLAS conversion is completed, the total number of cases is projected to exceed 250,000. To date, 14, of 15 counties, and over 220,000 cases, have been converted to ATLAS. Phase I conversion is scheduled for completion by December 31, 1992. The second phase of system conversion is currently underway. Phase II was originally scheduled for completion by March 31, 1994. However, due to delays in determining Phase II requirements and hiring a consultant to complete Phase II, ATLAS administrators estimate Phase II completion by April 1, 1995.

Anticipated benefits of ATLAS - Once both phases of ATLAS have been completed DES expects to reap substantial benefits:

- Increased processing efficiency, data accuracy and integrity
- Improved timeliness in access to current and historical information
- Timely processing of information
- Improved monitoring of financial activity
- Improved communications between State and county agencies
- System flexibility in accommodating statute changes and reporting
- Improved tracking, aging, and prioritizing of cases

Ultimately these improvements should help DCSE reduce the number of non-custodial parents avoiding payment of child support and allow for more consistent delivery of IV-D services on a statewide basis.

Barriers to successful completion - While the expectations of the automated system are high, there are still critical hurdles that must be overcome to achieve success:

- **Funding requirements** - Although funding for the project is currently capped at $28.5 million, DES's funding requests to the Federal government total $32.4 million. And, since DES has yet to secure actual bids for the cost of completing the system (Phase II), the potential for needing additional funding is a concern.

- **Functional requirements** - The functionality requirements that currently do not exist in ATLAS are both numerous and extensive. There are a total of 291 functional requirements that the system must be able to perform to obtain certification. According to DCSE officials, at this time ATLAS can meet only 20 percent of these requirements.

- **Time requirements** - DES initially projected completion of ATLAS implementation by March 31, 1994. However, recent delays in determining Phase II requirements and preparing a RFP for system completion may make it difficult to complete the project by the October 1, 1995 deadline.

  Furthermore, a critical point in this process is obtaining Federal approval to continue Phase II. DES must submit a document to the Federal office outlining funding and functional needs of the system to complete implementation. If the Federal office does not approve the document as submitted, further delays may result and could possibly result in failure to meet the October 1, 1995 deadline.

AREA FOR FURTHER AUDIT WORK

During the course of our audit, we identified an issue we were unable to fully pursue at this time.

Are payments and distributions properly controlled and managed?

We performed a limited review of the payments and distributions function to determine if it was properly controlled and managed. Accurate and timely distribution of payments is vital to ensure that children receive the court ordered support to which they are entitled and that the state receives the monies it is owed for public assistance provided to custodial parents. During our review we examined both the organizational units and systems that support the payments and distribution function. The units examined include DCSE's Clearinghouse (ATLAS), the contracting Clerks of the Court (ATLAS), and DCSE's Payments and Distributions Section (PADIS).

At the time of our review, the payments and distributions function was undergoing a conversion to ATLAS, DCSE's new automated system. Some case payments were processed through ATLAS, while others were processed through a predecessor system, the Payments and Distributions Information System (PADIS). PADIS is scheduled to be closed out in the spring of 1993 after all accounts are loaded onto ATLAS.

A review of the current systems for processing transactions identified some control weaknesses. For example, we found that:

- Access to ATLAS and PADIS systems is not adequately controlled.
- ATLAS and PADIS accounts are not sufficiently reconciled, in some cases, current account balances are not available.
- Supervision and review of manual distributions is lacking.
- Currently, over $3.5 million of undistributed funds are in "suspense" status awaiting investigation and resolution.

We also found distribution errors occurring within the ATLAS Clearinghouse and contracting Clerks of the Court. However, because we did not have time to test a statistically valid sample of transactions, we were unable to determine the extent of these errors or what may have caused them. Examples of errors found include the following:

- In one case, an AFDC custodial parent received a $71 excess payment. This money should have been reimbursed to the State for the $301 public assistance grant the parent had received for the month.
- In another case, the custodial parent should have received a $212 payment of monthly support. Instead the payment was applied incorrectly to arrears owed to the State.
- Funds which should have been distributed to the State were instead forwarded to another custodial parent for six months because workers misunderstood posting and distribution procedures.
- Payments from child support funds have been improperly made to custodial parents on public assistance in cases where no monthly child support payment was received from the absent parent.
- Finally, clerical errors were made resulting in receipts being incorrectly applied to child support payments and State arrears

Federal compliance reviews in both 1990 and 1991 also found that errors were being made in the distribution of child support payments.

Once it is fully converted to ATLAS, further audit work is needed to determine the nature, extent, and causes of problems remaining in the payments and distributions system.

ARIZONA DEPARTMENT OF ECONOMIC SECURITY
1717 WEST JEFFERSON STREET/P. O. BOX 6123/PHOENIX, ARIZONA 85005

Fife Symington
Governor

Charles E. Cowan
Director

DEC 10 1992

Mr. Douglas R. Norton, CPA
Auditor General
2700 North Central Avenue, Suite 700
Phoenix, AZ 85004

Dear Mr. Norton:

The Department of Economic Security (DES) has reviewed your office's performance audit of the Division of Child Support Enforcement (DCSE). We wish to commend and thank your staff for their several months of hard work producing this document.

DES agrees with the findings and recommendations contained in the report. We have attached our specific responses, which contain information we believe will enhance the accuracy or completeness of the various sections. Overall, however, the work product produced by your office constitutes an impressive description of the challenges faced by DCSE.

A climate for improvement has already been established in the Division, and we are beginning to see the results of previous efforts. Total collections are now projected to total nearly $70 million for SFY '93, up from approximately $46 million in SFY '92. By the end of the third quarter, we expect to have made 67 staff additions targeted toward increasing collections. Phase I of the Arizona Tracking and Location Automated System, ATLAS, will be completed by December 11, 1992, ahead of schedule, and several improvements to the Phase I system are scheduled for early next year.

Because of the almost unlimited potential to reduce state contributions to the Aid to Families with Dependent Children (AFDC) Program by increasing state child support earnings, I have assigned the highest priority to DES efforts to improve the child support enforcement program. I appreciate your office's efforts toward the same goal. Please contact me at 542-4702 or Mike Slattery, Assistant Director, Division of Child Support Enforcement at 274-7646 if you have further questions.

Sincerely,

Charles E. Cowan
Director

CEC:pfh

Attachment

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

Response to the Auditor General's Performance Audit of the Division Of Child Support Enforcement
December 8, 1992

Finding I -- Arizona is Failing to Collect More than $300 Million in Child Support Payments

DES Response

DES agrees with the finding and recommendations. Information now available from our automated system indicates that at least half a billion dollars in IV-D child support is currently owed to custodial parents in the Arizona IV-D program, and to the state and federal governments.[1]

Updated information (as of December 1, 1992) on staffing and anticipated revenues is as follows:

TABLE 1

ESTIMATED STATEWIDE STAFFING FOR
CHILD SUPPORT ENFORCEMENT
Fiscal Year 1992-1993

DES *	513.0
Attorney General	68.5
County Attorneys	123.0
Clerk of the Court	87.5
Other	10.2
Total	802.2

* The DES figure includes Division of Data Administration ATLAS FTEs

[1] Source: ATLAS FNS046 report dated November 7, 1992.

ESTIMATED REVENUES FOR CHILD SUPPORT ENFORCEMENT
FOR FISCAL YEAR 1992-93
(Unaudited)

Federal Share	
Federal Match	$26,674,000
Federal Incentives	2,405,100
State Share	
Appropriations	$ 2,842,600
Share of Retained Collections	4,690,200
County Share	
Appropriations	$ 902,200
Share of Retained Collections	425,000
Total Revenue	$37,939,100

Although "Arizona's cost effectiveness ratio for the last two fiscal years has been minimal," for the two years mentioned, 17% and 28% of our costs were for development of our statewide automated system. Arizona's cost effectiveness ratio will jump dramatically when ATLAS is completed.

While it's true that our "plans to hire additional staff may not significantly impact the problem," program statistics document the fact that adding staff results in increased collections.

Our plan for a regional office in Maricopa County has slipped a quarter, but otherwise is still on track.

Finding II -- Statutory Changes are Needed for DES to have Adequate Authority Over the Child Support Enforcement Program

DES Response

DES agrees with the finding and recommendations. Regarding the regulatory requirement that a contract be in place between DCSE and the Attorney General's office, the Attorney General's staff does not believe the federal regulations require a contract.

Finding III -- DCSE Can Improve Productivity and Efficiency by Implementing New Methods and Approaches

DES Response

DES agrees with the finding and recommendations. The reorganizations referred to in this section are complete.

Changes are now being made to the ATLAS prioritization system. The "daypull list," a weekly listing of cases, will prioritize cases effectively in the near future.

Finding IV -- DCSE Could Recover More of its Administrative Costs

DES Response

DES agrees with the finding and recommendations. DCSE does charge a fee of $112.50 to access direct enforcement by the IRS. The Governor's Welfare Reform Task Force recommended in 1988 against implementation of the application fee, finding that system establishment would cost more than the fee would generate. Further, charging a percentage of current child support as a fee would require legislation.

New information concerning effective cost recovery has recently been made available by the U. S. General Accounting Office. DCSE is studying this information, which indicates that the imposition of certain fees requires federal waivers from program requirements.

Other Pertinent Information -- The Development of ATLAS

DES generally agrees with the information provided regarding the development of ATLAS. The following clarifying points are offered:

Phase II will begin with our External Design, which includes the 291 Federal certification requirements as well as many added enhancements which will make ATLAS a state of the art child support system.

Automatic liens and garnishments on non-custodial parent's assets will require legislation.

Time Requirements - Due to the short time remaining before the certification deadline, ATLAS Project Management has already initiated some key program changes such as locate interfaces and further revenue intercepts which will aid the Phase II vendor.

Area for Further Audit Work

DES agrees that further audit work is necessary in the Payments and Distributions/Clearinghouse area.

APPENDIX

To determine the most effective methods for the establishment and enforcement of child support orders, we looked at methods employed by other, higher performing, child support offices within Arizona and other states. The recommendations of Finding III are the results of researching current literature on child support enforcement and conducting surveys and interviews of program officials from other states and County Attorneys within Arizona. We considered various measures in identifying the offices which appeared to be high producers.

Comparison of Child Support Offices within Arizona - To identify the high performing offices in Arizona, we compared each child support office on the following performance measures:

Dollars collected
Quarterly operating costs per office
Percentage of State's non-AFDC collections(1)
Percentage of State's non-AFDC caseload
Percent of AFDC recovered through collection of child support
Number of paternities established
Number of support orders established

In order to make a fair comparison between the offices with a large number of staff and those with few staff members, some performance comparisons were done on a per worker basis (see Table 5, page A-ii). Only the workers performing a function common to all offices in the State(2) were included in the staffing numbers used in the comparison. Fluctuations in the staffing levels of the State operated offices were accounted for in the comparison. County staffing levels were assumed to remain constant at the level specified in the county contracts with DCSE.

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(1) One way to evaluate the performance of an office is to determine if its "Percentage of Arizona's Non-AFDC Collections" is at least as high as it's "Percentage of Arizona's Non-AFDC Caseload." These measures indicate the extent to which non-AFDC cases are successfully pursued, relative to the other State offices.

(2) State staff included in the comparison were those performing the functions of paternity and support order establishment, enforcement, locate, intake, and clerical support for the caseworkers. Supervisors, ATLAS, Administrative, and Payments and Distributions staff were not included in the comparisons because these functions were not common to all child support offices in the State.

TABLE 5

COMPARISON STATISTICS FOR ARIZONA
CHILD SUPPORT ENFORCEMENT OFFICES(a)

Office(b)	Total Collections Per Worker	Percentage of Cases With Court Orders	Year-To-Date Percentage of AFDC Recovered	Percentage of Arizona's Non-AFDC Caseload	Percentage of Arizona's Non-AFDC Caseload	Number of Paternities Established Collections	Number of Orders Established Per Worker	Year-To-Date Operating Cost Per Worker
Encanto	$ 39,989	26.3%	3.5%	55.8%	47.4%	3.6	2.2	$48,333
Flagstaff	30,265	17.8	2.7	3.1	2.6	1.3	1.4	27,140
Kingman	25,129	16.3	2.1	3.8	1.7	1.0	2.0	28,566
Yuma	29,628	15.9	2.5	6.3	1.6	0.9	0.5	24,449
Safford	62,261	26.4	8.6	2.1	1.2	0.3	0.7	26,432
Cochise	103,909	32.1	5.2	0.6	2.3	6.3	13.7	48,016
Gila	20,006	19.7	5.0	1.8	0.8	1.8	0.5	29,811
Navajo(c)	244,831	20.8	0.6	0.6	5.1	6.5	4.0	53,349
Pima	88,831	27.4	5.9	23.7	32.2	1.2	2.6	39,197(d)
Pinal	61,762	36.4	4.9	2.1	6.1	3.0	2.3	25,335

(a) Figures in the table are for the third quarter of State fiscal year 1992, except for: "Year-To-Date Operating Cost Per Worker", which is a year-to-date figure through May 1992; "Percentage of Cases With Court Orders", which is as of July 29, 1992; and "Year-To-Date Percentage of AFDC Recovered", which is a year-to-date figure through March 1992.

(b) The counties serviced in the State offices are as follows: Encanto: Maricopa, Yavapai, Santa Cruz, and Apache; Flagstaff: Coconino; Kingman: Mohave; Yuma: Yuma and La Paz, Safford: Graham and Greenlee.

(c) Navajo County's collections are very high because its Clerk of the Court does not have the ability to separate the IV-D collections from the Non-IV-D collections. They report all child support collections to DCSE. Therefore, Navajo County should be excluded from any comparisons with other offices involving non-AFDC collections.

(d) During fiscal year 1992, the intake function for Pima County cases was transferred from the Tucson branch office of DCSE to Pima County Attorney's Office. Intake for Pima County was the sole purpose of this branch office. Costs and staff for the Tucson branch office of DCSE have been included in the calculations for Pima County's operational costs per worker, since Pima County was the only office benefitting from their efforts.

Source: DCSE Internal reports: Management Indicators Report and supporting documentation, Monthly Statistical Composite Reports. Family Assistance Administration Report: Statistical Bulletin. Department of Economic Security Adhoc Report from FMCS system detailing quarterly operational costs for DCSE, by cost center for fiscal year 1991 and fiscal year 1992.

Results indicate that, overall, the highest performing offices in Arizona are Cochise, Pima, and Pinal County Attorney offices. Cochise and Pima offices cost more than the State run branch offices, and a little less, on a per worker basis, than the CSEA central office. The Pinal County Office was more cost efficient than all other offices in the State, except the Yuma office. Costs included in the comparison were only those costs associated with the functions common to all offices (personal services costs and other overhead costs associated with cost centers performing casework functions).

It is interesting to note that regardless of the cost efficiency of these higher performing offices, they proved to be more effective than the central office and most branch offices in the other performance measures evaluated.

Comparison of other states' Child Support Enforcement Offices- To identify other high performing states, we consulted the Child Support Enforcement Report Card[1] and the Fifteenth Annual Report to Congress.[2] In addition, a IV-D official, as well as others (i.e., Federal Office of Child Support Enforcement and National Child Support Enforcement Association) provided insight regarding other states considered to be doing well with their program. We also considered several different types of organizational models that were recommended by one child support enforcement consultant.

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(1) The Child Support Enforcement Report Card was prepared by the House Committee on Ways and Means, and published January 1991. The Report Card is published every two years in order to monitor IV-D program effectiveness at the Federal level and across the states. Performance measures used in the Report Card include: Current Accounts Receivable Collected, Prior Accounts Receivable Collected, Cost Effectiveness Ratios, and AFDC Cost Recovery Rate.

(2) The Federal Office of Child Support Enforcement published the Fifteenth Annual Report to Congress for the period ending September 30, 1990. The report contains a series of graphs, tables, and summaries comparing the states' financial, statistical, and program data for Federal Fiscal Years 1986 to 1990. The data for the comparisons was obtained from the Federal reports submitted by the states.

Using all of these sources of information, we narrowed the list to the following states: Alabama, Colorado, Idaho, Indiana, Maine, Massachusetts, Michigan, Minnesota, Oregon, Pennsylvania, and Virginia. We then surveyed each of these states to try to determine how comparable they were to Arizona's program, and what operational methods they used that may have contributed to their effectiveness.